

## World Broiler Overview

### Total Broiler Meat Trade Forecast to Increase 6 Percent in 2004

**World Trade:** Total broiler meat exports in 2004 for major exporting countries are forecast at a record level of 6.2 million tons, a 6-percent increase from the 2003 estimate. The top four exporting countries, the United States, Brazil, the EU, and Thailand, are expected to dominate export markets due mainly to price competitiveness and availability of supplies. For 2004, broiler meat imports for major countries are forecast at 4.1 million tons, a 4-percent decrease from the 2003 estimate. The decrease is largely due to reduced access in Russia under an import quota of 1.05 million tons of poultry meat. China, the EU, Japan, Mexico, Russia, and Saudi Arabia are expected to account for more than 70 percent of imports among the major importers, but imports by other countries are expected to increase (See page 28 for a discussion of growth in U.S. broiler exports to non-traditional markets).

### Key Exporters:

- **United States:** Broiler meat exports for 2004 are forecast at 2.3 million tons, a 4-percent increase from the 2003 estimate, and just 8-percent down from the 2001 record level. The expected increase in exports is largely attributed to growth in exports to small, emerging markets throughout the world. By year-end 2002, broiler exports were up more than 50 percent to the Caribbean, 50 percent to Africa, and 68 percent to the Middle East. This trend has continued through 2003 and is expected to continue into 2004. Export growth to Russia will remain limited under Russia's poultry import quota. In addition, exports to Mexico are forecast to grow in 2004 as demand for raw materials in the food-processing sector continues to be strong. Although the safeguard agreement on chicken leg quarters with Mexico allows for only 1-percent growth, overall growth in exports to Mexico is expected to increase. The United States is the largest supplier of broiler meat to Mexico.
- **Brazil:** Broiler meat exports for 2004 are forecast at 1.8 million tons, a 4-percent increase from the 2003 estimate. The increase in exports is mainly attributed to growth in non-traditional markets. Like the United States, Brazil has benefited from the emergence of new export markets such as Bulgaria, South Africa, and Hong Kong. Export growth will be fueled by production growth in 2004. Broiler production is expected to grow 4 percent in 2004 as a result of strong demand in export markets as well as increased domestic demand. Domestic demand for broiler meat should strengthen in 2004 among Brazil's large base of middle to lower income consumers.
- **European Union:** Broiler meat exports for 2004 are forecast at 800,000 tons, nearly a 14-percent increase from the 2003 estimate. Exports declined in 2003 as the Netherlands suffered an outbreak of Avian Influenza, but should rebound in 2004 as they recover. The Netherlands is the fifth largest producer of poultry meat in the European Union. In addition, EU broiler exports to Middle East are expected to

remain strong through 2004, supported by export refunds to the region. The EU has proposed a 16-percent increase to their export refunds on poultry for 2004, increasing them to 106 million Euros (\$121 million). Export refunds have been key in maintaining EU export competitiveness for whole birds as well as parts in the Middle East and Russia, and Independent States of the Former Soviet Union.

- **Thailand:** Broiler meat exports for 2004 are forecast to increase 6 percent from the estimated 2003 level to 530,000 tons, due mainly to diversification of Thai broiler meat. Historically, Thai broiler exports consisted of basic boneless parts, however the Thai broiler industry has shifted focus in recent years towards high quality processed products. Currently, Thailand supplies primarily value-added parts (semi-cooked and cooked products) to Japan, while it exports frozen parts to the EU. Since the EU's detection of a veterinary drug (nitrofurans) in frozen products in March 2002, the Thai government has continued to implement strict production guidelines regulating on farm drug use and monitoring of residue levels. The Thai government and producers have fought to modernize their broiler sector and improve the quality of their broiler meat, which should maintain the competitiveness of Thai broiler exports.
- **China:** Broiler meat exports for 2004 are forecast at 440,000 tons, a 5-percent increase over the 2003 estimate. China's broiler exports in 2004 will be boosted by resumed access in Japan, China's largest broiler export market. Approximately 70 percent of China's broiler exports have historically been to Japan. Much of China's broiler exports are actually product of the U.S. and have been processed or de-boned and re-exported as Chinese product. However, in 2002 Japan banned the importation of fresh and frozen Chinese broiler meat because of Avian Influenza concerns, but allowed the importation of cooked product. These restrictions were lifted in August 2003, allowing China to resume shipments of fresh and frozen broiler meat. Broiler production in 2004 is forecast to increase 3 percent to 10 million tons, and will likely move into domestic consumption before exports.

#### **Key Importers:**

- **China:** Broiler meat imports for 2004 are expected to decrease 4 percent from the 2003 estimate to 400,000 tons, due to the implementation of new, stricter quarantine and sanitary requirements. Under this new standard, a zero tolerance for Salmonella and E. coli are required for raw poultry meat for processing. Given the nature of this product, a zero tolerance for Salmonella and E. coli is unnecessarily burdensome and is potentially trade restrictive.

**NOTE:** This forecast excludes China's imports of chicken paws/feet. Chicken paws/feet imports were removed from the supply and distribution data series (1997 to date) to more accurately measure the size of muscle meat demand. China's broiler meat and paw imports are attached to the China Country Page. The page can be accessed at <http://www.fas.usda.gov/dlp/countrypages/china.html>.

- **European Union:** Broiler meat imports for 2004 are expected to fall 17 percent from the 2003 estimate to 350,000 tons, due to a production recovery from Avian Influenza in the Netherlands. In addition, the EU passed legislation that changed tariff regulations on salted poultry, effective August 2003. The EU reclassified a lightly salted poultry product from a salted product to simply a frozen product. This change closed a loophole that allowed foreign suppliers to ship broiler meat under the salted category where the salted tariff was half the frozen tariff. The change is expected to reduce imports from Brazil and Thailand, who supply nearly 80 percent of EU broiler imports.
- **Japan:** Broiler meat imports for 2004 are forecast at 745,000 tons, up 6 percent from the 2003 level due mainly to resumption in imports from China, growth in the food service sector, and stagnant domestic production. Japan recently removed Avian Influenza restrictions on China, which allowed Chinese broiler meat to enter Japan as of August 2003. China is the leading supplier of broiler meat to Japan, with a 35-percent market share in 2002. In addition to the removal of restrictions on Chinese broiler products, domestic demand for broiler meat is expected to increase by anticipated growth in the food service sector of Japan, and a slight decrease in production in 2004. Broiler demand growth in the food service sector is based on expected high beef prices in 2004. Production is forecast to decrease 1 percent in 2004 due to expected softening in market prices. China's increased access in 2004 likely will put additional downward pressure on market prices.
- **Mexico:** Broiler meat imports in 2004 are expected to increase 5 percent from the revised 2003 import level to 295,000 tons, primarily as a result of strong demand in the processed foods sector. The proliferation of large hypermarkets, such as Soriana, H.E.B. and Wal-Mart super stores has boosted demand for raw materials used in processed meat products. The U.S.-Mexico safeguard on chicken leg quarters allows for duty free access of 100,000 tons in 2003, and continues through 2007 with one percent growth each calendar year. An over quota duty of 98.8 percent is applied in 2003, with a 20 percentage point reduction occurring annually through 2007. Although the safeguard will limit growth of leg quarter imports to 1 percent annually, overall demand for other chicken products will maintain broiler import demand by Mexico.
- **Russia:** Broiler meat imports in 2004 are forecast at 990,000 tons, down 16 percent from the revised 2003 level due to quota restrictions. Imports in 2003 remained strong, despite a prorated annual quota amount of 744,000 tons, as restrictions did not enter into effect until May 2003. Heavy investment in the domestic broiler industry is expected to continue to expand production capacity and increase efficiency through vertical integration, but these efforts may not be able to meet expected demand for broiler meat in 2004. In 2004, production is forecast at 640,000 tons, a 10-percent increase over the revised 2003 estimate, but consumption is forecast to fall nearly 6 percent. In 2002, private ending stocks swelled to 130,000 tons in anticipation of tight supplies under the import quota. However, strong domestic demand and tight supplies should reduce these private stocks of broiler meat to zero by the end of 2004.

- **Saudi Arabia:** Broiler meat imports in 2004 are forecast to increase 1 percent to 395,000 tons. Heavy financial, technical, and other assistance by the government should facilitate a 2-percent expansion in production in 2004 through lowered production costs. Regardless of government assistance, imports are expected to remain relatively constant due to competitive prices compared to domestically produced products.

### U.S. Broiler Exports Forecast to Rebound in 2004

